

ANNUAL STATEMENT

For the Year Ending December 31, 2002

OF THE CONDITION AND AFFAIRS OF THE

TOTAL HEALTH CARE, INC.

NAIC Group Code

1238

(Current Period)

1238

(Prior Period)

NAIC Company Code

95644

Employer's ID Number

38-2018957

Organized under the Laws of

Michigan

State of Domicile or Port of Entry

Michigan

Country of Domicile

United States of America

Licensed as business type:

Life, Accident & Health[ ]

Property/Casualty[ ]

Hospital, Medical & Dental Service or Indemnity[ ]

Dental Service Corporation[ ]

Vision Service Corporation[ ]

Health Maintenance Organization[X]

Other[ ]

Is HMO Federally Qualified? Yes[X] No[ ]

Date Incorporated or Organized

07/01/1973

Date Commenced Business

05/01/1976

Statutory Home Office

3011 W. GRAND BLVD. SUITE 1600

(Street and Number)

DETROIT, MI 48202

(City, or Town, State and Zip Code)

Main Administrative Office

3011 W. GRAND BLVD. SUITE 1600

(Street and Number)

DETROIT, MI 48202

(City or Town, State and Zip Code)

(313)871-2000

(Area Code) (Telephone Number)

Mail Address

3011 W. GRAND BLVD. SUITE 1600

(Street and Number or P.O. Box)

DETROIT, MI 48202

(City, or Town, State and Zip Code)

Primary Location of Books and Records

3011 W. GRAND BLVD. SUITE 1600

(Street and Number)

DETROIT, MI 48202

(City, or Town, State and Zip Code)

(313)871-2000

(Area Code) (Telephone Number)

Internet Website Address

TOTALHEALTHCAREONLINE.COM

Statement Contact

NICOLE S. ROUSH, CPA

(Name)

(313)871-7879

(Area Code)(Telephone Number)(Extension)

NROUSH@THC-ONLINE.COM

(E-Mail Address)

(313)871-7406

(Fax Number)

Policyowner Relations Contact

3011 W. GRAND BLVD., STE. 1600

(Street and Number)

DETROIT, MI 48202

(City, or Town, State and Zip Code)

(313)871-2000

(Area Code) (Telephone Number)(Extension)

OFFICERS

EXECUTIVE DIRECTOR

LYLE EDWARD ALGATE #

SECRETARY

GERTRUDE HELEN MINKIEWICZ

TREASURER

MARY JANE CLAY

MEDICAL DIRECTOR

ROBYN JAMES ARRINGTON JR.,M.D.

CO-TREASURER

JEANETTE ABBOTT

VICE PRESIDENTS

DIRECTORS OR TRUSTEES

FRANCES LYNCH

DOUGLAS PAUL BAKER

KATHLEEN THERESA KATHER

ELEANOR BETTS

RUBY OCTAVIA COLE

State of

Michigan

County of

WAYNE

ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manuals except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature)

LYLE EDWARD ALGATE

(Printed Name)

EXECUTIVE DIRECTOR

(Signature)

GERTRUDE HELEN MINKIEWICZ

(Printed Name)

Secretary

(Signature)

MARY JANE CLAY

(Printed Name)

Treasurer

a. Is this an original filing?

Yes[X] No[ ]

b. If no,

1. State the amendment number

2. Date filed

3. Number of pages attached

Subscribed and sworn to before me this

day of

, 2003

(Notary Public Signature)

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets	Net Admitted Assets
1.	Bonds .....	500,000		500,000	
2.	Stocks: .....				
2.1	Preferred stocks .....				
2.2	Common stocks .....	5,756,600	2,740,310	3,016,290	2,572,420
3.	Mortgage loans on real estate: .....				
3.1	First liens .....				
3.2	Other than first liens .....				
4.	Real estate (Schedule A): .....				
4.1	Properties occupied by the company (less \$..... encumbrances) .....			(a).....	
4.2	Properties held for the production of income (less \$..... encumbrances) .....				
4.3	Properties held for sale (less \$..... encumbrances) .....				
5.	Cash (\$.....16,091,619, Schedule E - Part 1) and short-term investments (\$.....6,473,031, Schedule DA - Part 2) .....	22,564,650		22,564,650	16,671,488
6.	Other long-term invested assets .....				
7.	Receivable for securities .....				
8.	Aggregate write-ins for invested assets .....				
9.	Subtotal, cash and invested assets (Lines 1 to 8) .....	28,821,250	2,740,310	26,080,940	19,243,908
10.	Accident and health premiums due and unpaid .....	1,213,661		1,213,661	1,058,362
11.	Health care receivables .....	1,850,143		1,850,143	2,076,138
12.	Amounts recoverable from reinsurers .....	28,341		28,341	64,604
13.	Net adjustment in assets and liabilities due to foreign exchange rates .....				
14.	Investment income due and accrued .....	43,660		43,660	43,684
15.	Amounts due from parent, subsidiaries and affiliates .....				
16.	Amounts receivable relating to uninsured accident and health plans .....				
17.	Furniture and equipment .....				5,265
18.	Amounts due from agents .....				
19.	Federal and foreign income tax recoverable and interest thereon (including \$..... net deferred tax asset) .....				
20.	Electronic data processing equipment and software .....				
21.	Other nonadmitted assets .....	133,023	133,023		
22.	Aggregate write-ins for other than invested assets .....	19,954		19,954	24,719
23.	Total assets (Lines 9 plus 10 through 22) .....	32,110,032	2,873,333	29,236,699	22,516,680
DETAILS OF WRITE-INS					
0801	.....				
0802	.....				
0803	.....				
0898.	Summary of remaining write-ins for Line 8 from overflow page .....				
0899.	TOTALS (Lines 0801 through 0803 plus 0898) (Line 8 above) .....				
2201.	Deposit .....	10,000		10,000	10,000
2202.	Other Receivables .....	9,954		9,954	14,719
2203	.....				
2298.	Summary of remaining write-ins for Line 22 from overflow page .....				
2299.	TOTALS (Lines 2201 through 2203 plus 2298) (Line 22 above) .....	19,954		19,954	24,719

(a) \$..... health care delivery assets included in Line 4.1, Column 3.

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$..... reinsurance ceded) .....	19,877,972		19,877,972	15,659,854
2.	Accrued medical incentive pool and bonus payments .....	477,631		477,631	685,407
3.	Unpaid claims adjustment expenses .....	283,809		283,809	
4.	Aggregate policy reserves .....				
5.	Aggregate claim reserves .....				
6.	Premiums received in advance .....	41,974		41,974	53,831
7.	General expenses due or accrued .....				
8.	Federal and foreign income tax payable and interest thereon (including \$..... on realized capital gains (losses)) (including \$..... net deferred tax liability) .....				
9.	Amounts withheld or retained for account of others .....				
10.	Borrowed money (including \$..... current) and interest thereon \$..... (including\$..... current) .....				
11.	Amounts due to parent, subsidiaries and affiliates .....				
12.	Payable to securities .....				
13.	Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers .....				
14.	Reinsurance in unauthorized companies .....				
15.	Net adjustments in assets and liabilities due to foreign exchange rates .....				
16.	Liability for amounts held under uninsured accident and health plans .....				
17.	Aggregate write-ins for other liabilities (including \$.....696,434 current) .....	696,434		696,434	1,570,320
18.	Total liabilities (Lines 1 to 17) .....	21,377,820		21,377,820	17,969,412
19.	Common capital stock .....	X X X	X X X		
20.	Preferred capital stock .....	X X X	X X X		
21.	Gross paid in and contributed surplus .....	X X X	X X X		
22.	Surplus notes .....	X X X	X X X		
23.	Aggregate write-ins for other than special surplus funds .....	X X X	X X X		
24.	Unassigned funds (surplus) .....	X X X	X X X	7,858,879	4,547,268
25.	Less treasury stock, at cost:	X X X	X X X		
25.1	..... shares common (value included in Line 19 \$.....)	X X X	X X X		
25.2	..... shares preferred (value included in Line 20 \$.....)	X X X	X X X		
26.	Total capital and surplus (Lines 19 to 25) .....	X X X	X X X	7,858,879	4,547,268
27.	Total liabilities, capital and surplus (Lines 18 and 26) .....	X X X	X X X	29,236,699	22,516,680
DETAILS OF WRITE-INS					
1701.	Accrued Other .....	696,434		696,434	1,570,320
1702	.....				
1703	.....				
1798.	Summary of remaining write-ins for Line 17 from overflow page .....				
1799.	TOTALS (Lines 1701 through 1703 plus 1798) (Line 17 above) .....	696,434		696,434	1,570,320
2301	.....	X X X	X X X		
2302	.....	X X X	X X X		
2303	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page .....	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months .....	X X X .....	623,466	651,940
2.	Net premium income .....	X X X .....	102,765,342	104,189,727
3.	Change in unearned premium reserves and reserve for rate credits .....	X X X .....		
4.	Fee-for-service (net of \$..... medical expenses) .....	X X X .....		
5.	Risk revenue .....	X X X .....		
6.	Aggregate Write-Ins for Other health care related revenues .....	X X X .....		
7.	Total revenues (Lines 2 to 6) .....	X X X .....	102,765,342	104,189,727
<b>Medical and Hospital:</b>				
8.	Hospital/medical benefits .....		64,080,681	67,742,377
9.	Other Professional Services .....		2,077,139	3,710,462
10.	Outside Referrals .....			
11.	Emergency room and out-of-area .....		7,869,914	9,254,712
12.	Prescription drugs .....		11,507,972	10,551,191
13.	Aggregate write-ins for other medical and hospital .....		469,829	335,478
14.	Incentive pool and withhold adjustments .....		207,864	664,895
15.	Subtotal (Lines 8 to 14) .....		86,213,399	92,259,115
<b>LESS:</b>				
16.	Net reinsurance recoveries .....		138,223	171,137
17.	Total medical and hospital (Lines 15 minus 16) .....		86,075,176	92,087,978
18.	Claims adjustment expenses .....		291,856	335,976
19.	General administrative expenses .....		14,300,927	16,462,800
20.	Increase in reserves for accident and health contracts .....			
21.	Total underwriting deductions (Lines 17 through 20) .....		100,667,959	108,886,754
22.	Net underwriting gain or (loss) (Lines 7 minus 21) .....	X X X .....	2,097,383	(4,697,027)
23.	Net investment income earned .....		326,652	708,581
24.	Net realized capital gains or (losses) .....			
25.	Net investment gains or (losses) (Lines 23 plus 24) .....		326,652	708,581
26.	Net gain or (Loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)] .....			
27.	Aggregate write-ins for other income or expenses .....		1,504	551
28.	Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27) .....		2,425,539	(3,987,895)
29.	Federal and foreign income taxes incurred .....	X X X .....		
30.	Net income (loss) (Lines 28 minus 29) .....	X X X .....	2,425,539	(3,987,895)
<b>DETAILS OF WRITE-INS</b>				
0601	.....	X X X .....		
0602	.....	X X X .....		
0603	.....	X X X .....		
0698.	Summary of remaining write-ins for Line 6 from overflow page .....	X X X .....		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	X X X .....		
1301.	Other Expense .....		469,829	335,478
1302	.....			
1303	.....			
1398.	Summary of remaining write-ins for Line 13 from overflow page .....			
1399.	TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above) .....		469,829	335,478
2701.	Miscellaneous Revenue .....		1,504	551
2702	.....			
2703	.....			
2798.	Summary of remaining write-ins for Line 27 from overflow page .....			
2799.	TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above) .....		1,504	551

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
31.	Capital and surplus prior reporting year .....	4,547,268	5,458,899
GAINS AND LOSSES TO CAPITAL & SURPLUS			
32.	Net income or (loss) from Line 30 .....	2,425,539	(3,987,895)
33.	Change in valuation basis of aggregate policy and claim reserves .....		
34.	Net unrealized capital gains and losses .....	202,379	23,144
35.	Change in net unrealized foreign exchange capital gain or (loss) .....		
36.	Change in net deferred income tax .....		
37.	Change in nonadmitted assets .....	683,693	3,053,120
38.	Change in unauthorized reinsurance .....		
39.	Change in treasury stock .....		
40.	Change in surplus notes .....		
41.	Cumulative effect of changes in accounting principles .....		
42.	Capital Changes:		
42.1	Paid in .....		
42.2	Transferred from surplus (Stock Dividend) .....		
42.3	Transferred to surplus .....		
43.	Surplus adjustments:		
43.1	Paid in .....		
43.2	Transferred to capital (Stock Dividend) .....		
43.3	Transferred from capital .....		
44.	Dividends to stockholders .....		
45.	Aggregate write-ins for gains or (losses) in surplus .....		
46.	Net change in capital and surplus (Lines 32 to 45) .....	3,311,611	(911,631)
47.	Capital and surplus end of reporting year (Line 31 plus 46) .....	7,858,879	4,547,268
DETAILS OF WRITE-INS			
4501	.....		
4502	.....		
4503	.....		
4598.	Summary of remaining write-ins for Line 45 from overflow page .....		
4599.	TOTALS (Lines 4501 through 4503 plus 4598) (Line 45 above) .....		

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums and revenues collected net of reinsurance .....	102,598,186	104,710,944
2.	Claims and claims adjustment expenses .....	81,828,842	91,193,737
3.	General administrative expenses paid .....	14,300,927	16,453,467
4.	Other underwriting income (expenses) .....	(1,081,662)	(2,561,376)
5.	Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4) .....	5,386,755	(5,497,636)
6.	Net investment income .....	326,676	792,412
7.	Other income (expenses) .....	1,504	551
8.	Federal and foreign income taxes (paid) recovered .....		
9.	Net cash from operations (Line 5 to 8) .....	5,714,935	(4,704,673)
Cash from Investments			
10.	Proceeds from investments sold, matured or repaid:		
10.1	Bonds .....		
10.2	Stocks .....		
10.3	Mortgage loans .....		
10.4	Real estate .....		2,344,426
10.5	Other invested assets .....		34,000
10.6	Net gains or (losses) on cash and short-term investments .....		
10.7	Miscellaneous proceeds .....		1,000,000
10.8	Total investment proceeds (Lines 10.1 to 10.7) .....		3,378,426
11.	Cost of investments acquired (long-term only):		
11.1	Bonds .....	500,000	
11.2	Stocks .....		
11.3	Mortgage loans .....		
11.4	Real estate .....		
11.5	Other invested assets .....		
11.6	Miscellaneous applications .....		
11.7	Total investments acquired (Lines 11.1 to 11.6) .....	500,000	
12.	Net cash from investments (Line 10.8 minus Line 11.7) .....	(500,000)	3,378,426
Cash from Financing and Miscellaneous Sources			
13.	Cash provided:		
13.1	Surplus notes, capital and surplus paid in .....		
13.2	Net transfers from affiliates .....		
13.3	Borrowed funds received .....		
13.4	Other cash provided .....	678,227	1,285,988
13.5	Total (Lines 13.1 to 13.4) .....	678,227	1,285,988
14.	Cash applied:		
14.1	Dividends to stockholder paid .....		
14.2	Net transfers to affiliates .....		800,000
14.3	Borrowed funds repaid .....		
14.4	Other applications .....		
14.5	Total (Lines 14.1 to 14.4) .....		800,000
15.	Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5) .....	678,227	485,988
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
16.	Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15) .....	5,893,162	(840,259)
17.	Cash and short-term investments:		
17.1	Beginning of year .....	16,671,488	17,511,747
17.2	End of year (Line 16 plus Line 17.1) .....	22,564,650	16,671,488

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

(Gain and Loss Exhibit)

		1	2	3	4	5	6	7	8	9	10	11	12	13
		Total	Comprehensive (Hospital & Medical)	Medical Only	Medicare Supplement	Dental Only	Vision Only	Federal Employee Health Benefit Plan	Title XVIII- Medicare	Title XIX- Medicaid	Stop Loss	Disability Income	Long- term Care	Other
1.	Net premium income .....	102,765,342	7,627,197					1,011,674		94,126,471				
2.	Change in unearned premium reserves and reserve for rate credit .....													
3.	Fee-for-service (net of \$..... medical expenses) .....													
4.	Risk revenue .....													
5.	Aggregate write-ins for other health care related revenues .....													
6.	Total revenues (Lines 1 to 5) .....	102,765,342	7,627,197					1,011,674		94,126,471				
7.	Medical/hospital benefits .....	64,080,681	3,586,478					535,493		59,958,710				
8.	Other professional services .....	2,077,139	95,064					4,370		1,977,705				
9.	Outside referrals .....													
10.	Emergency room and out-of-area .....	7,869,914	363,532					49,567		7,456,815				
11.	Prescription drugs .....	11,507,972	798,531					158,511		10,550,930				
12.	Aggregate write-ins for other medical and hospital .....	469,829	32,512					4,907		432,410				
13.	Incentive pool and withhold adjustments .....	207,864	19,696					2,972		185,196				
14.	Subtotal (Lines 7 to 13) .....	86,213,399	4,895,813					755,820		80,561,766				
15.	Net reinsurance recoveries .....	138,223								138,223				
16.	Total medical and hospital (Lines 14 minus 15) .....	86,075,176	4,895,813					755,820		80,423,543				
17.	Claims adjustment expenses .....	291,856	21,094					3,183		267,579				
18.	General administrative expenses .....	14,300,927	1,033,554					156,008		13,111,365				
19.	Increase in reserves for accident and health contracts .....													
20.	Total underwriting deductions (Lines 16 to 19) .....	100,667,959	5,950,461					915,011		93,802,487				
21.	Net underwriting gain or (loss) (Line 6 minus Line 20) .....	2,097,383	1,676,736					96,663		323,984				
DETAILS OF WRITE-INS														
0501	.....													
0502	.....													
0503	.....													
0598.	Summary of remaining write-ins for Line 5 from overflow page .....													
0599.	TOTAL (Lines 0501 through 0503 plus 0598) (Line 5 above) .....													
1201.	Other Expense .....	469,829	32,512					4,907		432,410				
1202	.....													
1203	.....													
1298.	Summary of remaining write-ins for Line 12 from overflow page .....													
1299.	TOTAL (Lines 1201 through 1203 plus 1298) (Line 12 above) .....	469,829	32,512					4,907		432,410				

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 1 - PREMIUMS**

		1	2	3	4
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (medical and hospital) .....	7,657,196		29,999	7,627,197
2.	Medicare Supplement .....				
3.	Dental only .....				
4.	Vision only .....				
5.	Federal Employees Health Benefits Plan				
	Premiums .....	1,015,654		3,980	1,011,674
6.	Title XVIII - Medicare .....				
7.	Title XIX - Medicaid .....	94,500,621		374,150	94,126,471
8.	Other .....				
9.	TOTALS .....	103,173,471		408,129	102,765,342



**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2 - Claims Incurred During the Year**

		1	2	3	4	5	6	7	8	9
		Total	Compre- hensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1.	Payments during the year:									
	1.1 Direct .....	81,787,417	5,844,754				702,237		75,240,426	
	1.2 Reinsurance assumed .....									
	1.3 Reinsurance ceded .....	138,223							138,223	
	1.4 Net .....	81,649,194	5,844,754				702,237		75,102,203	
2.	Paid medical incentive pools and bonuses .....	415,640	32,676				5,393		377,571	
3.	Claim liability December 31, current year from Part 2A:									
	3.1 Direct .....	19,877,972	1,590,237				198,780		18,088,955	
	3.2 Reinsurance assumed .....									
	3.3 Reinsurance ceded .....									
	3.4 Net .....	19,877,972	1,590,237				198,780		18,088,955	
4.	Claim reserve December 31, current year from Part 2D:									
	4.1 Direct .....									
	4.2 Reinsurance assumed .....									
	4.3 Reinsurance ceded .....									
	4.4 Net .....									
5.	Accrued medical incentive pools and bonuses, current year .....	477,631	38,211				4,776		434,644	
6.	Amounts recoverable from reinsurers December 31, current year .....	28,341							28,341	
7.	Claim liability December 31, prior year from Part 2A:									
	7.1 Direct .....	15,659,854	2,500,617				148,851		13,010,386	
	7.2 Reinsurance assumed .....									
	7.3 Reinsurance ceded .....									
	7.4 Net .....	15,659,854	2,500,617				148,851		13,010,386	
8.	Claim reserve December 31, prior year from Part 2D:									
	8.1 Direct .....									
	8.2 Reinsurance assumed .....									
	8.3 Reinsurance ceded .....									
	8.4 Net .....									
9.	Accrued medical incentive pools and bonuses, prior year .....	685,407	109,448				6,515		569,444	
10.	Amounts recoverable from reinsurers December 31, prior year .....	64,604							64,604	
11.	Incurred benefits:									
	11.1 Direct .....	86,005,535	4,934,374				752,166		80,318,995	
	11.2 Reinsurance assumed .....									
	11.3 Reinsurance ceded .....	101,960							101,960	
	11.4 Net .....	85,903,575	4,934,374				752,166		80,217,035	
12.	Incurred medical incentive pools and bonuses .....	207,864	(38,561)				3,654		242,771	

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2A - Claims Liability End of Current Year**

		1	2	3	4	5	6	7	8	9
		Total	Compre- hensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1.	Reported in Process of Adjustment:									
	1.1 Direct .....	1,468,643	117,491				14,687		1,336,465	
	1.2 Reinsurance assumed .....									
	1.3 Reinsurance ceded .....									
	1.4 Net .....	1,468,643	117,491				14,687		1,336,465	
2.	Incurred but Unreported:									
	2.1 Direct .....	13,906,658	1,112,533				139,065		12,655,060	
	2.2 Reinsurance assumed .....									
	2.3 Reinsurance ceded .....									
	2.4 Net .....	13,906,658	1,112,533				139,065		12,655,060	
3.	Amounts Withheld from Paid Claims and Capitations:									
	3.1 Direct .....	4,502,671	360,213				45,028		4,097,430	
	3.2 Reinsurance assumed .....									
	3.3 Reinsurance ceded .....									
	3.4 Net .....	4,502,671	360,213				45,028		4,097,430	
4.	TOTALS									
	4.1 Direct .....	19,877,972	1,590,237				198,780		18,088,955	
	4.2 Reinsurance assumed .....									
	4.3 Reinsurance ceded .....									
	4.4 Net .....	19,877,972	1,590,237				198,780		18,088,955	

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE**

		Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5  Claims Incurred in Prior Years (Columns 1 + 3)	6  Estimated Claim Reserve and Claim Liability December 31 of Prior Year
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred Durring the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
	Line of Business						
1.	Comprehensive (medical and hospital) .....	1,112,339	4,732,415	48,000	1,542,237	1,160,339	2,500,617
2.	Medicare Supplement .....						
3.	Dental only .....						
4.	Vision only .....						
5.	Federal Employees Health Benefits Plan Premiums .....	139,043	563,194	6,000	192,780	145,043	148,851
6.	Title XVIII - Medicare .....						
7.	Title XIX - Medicaid .....	12,652,862	62,449,341	546,000	17,542,955	13,198,862	13,010,386
8.	Other .....						
9.	Subtotal .....	13,904,244	67,744,950	600,000	19,277,972	14,504,244	15,659,854
10.	Medical incentive pools, accrual and disbursements .....	415,640			477,631	415,640	685,407
11.	TOTALS .....	14,319,884	67,744,950	600,000	19,755,603	14,919,884	16,345,261

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS (000 Omitted)**

**Grand Total**  
**Section A - Paid Claims**

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior .....	8,643,672	600,717	123,557	(46,991)	1,693
2.	1998 .....	67,222,347	12,456,580	735,870	6,517	20,768
3.	1999 .....	X X X .....	68,605,996	9,795,777	495,353	40,009
4.	2000 .....	X X X .....	X X X .....	70,851,385	10,638,236	327,007
5.	2001 .....	X X X .....	X X X .....	X X X .....	80,068,761	13,514,767
6.	2002 .....	X X X .....	X X X .....	X X X .....	X X X .....	67,744,950

**Section B - Incurred Claims**

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior .....	56,762,423	57,198,389	57,321,946	57,274,954	57,276,647
2.	1998 .....	85,010,816	80,478,926	80,414,797	80,421,314	80,442,082
3.	1999 .....	X X X .....	80,401,875	79,001,773	78,897,128	78,937,137
4.	2000 .....	X X X .....	X X X .....	85,153,738	82,089,622	81,816,629
5.	2001 .....	X X X .....	X X X .....	X X X .....	95,814,022	94,868,935
6.	2002 .....	X X X .....	X X X .....	X X X .....	X X X .....	87,022,922

**Section C - Incurred Year Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1.	Prior to 1998 .....	X X X .....	1,693		X X X .....	1,693	X X X .....			1,693	X X X .....
2.	1998 .....	80,232,439	80,442,082	201,459	0.250	80,643,541	100.512	18,000	257	80,661,798	100.535
3.	1999 .....	84,240,004	78,937,137	226,459	0.287	79,163,596	93.974	42,000	600	79,206,196	94.024
4.	2000 .....	97,658,028	81,816,629	242,919	0.297	82,059,548	84.027	60,000	857	82,120,405	84.090
5.	2001 .....	104,189,727	94,868,935	298,349	0.314	95,167,284	91.340	480,000	6,853	95,654,137	91.808
6.	2002 .....	102,765,342	87,022,922	262,670	0.302	87,285,592	84.937	19,277,972	275,242	106,838,806	103.964
7.	TOTAL (Lines 1 through 6) .....	X X X .....	423,089,398	1,231,856	X X X .....	424,321,254	X X X .....	19,877,972	283,809	444,483,035	X X X .....
8.	TOTAL (Lines 2 through 6) .....	469,085,540	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....

12 Total

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS (000 Omitted)**

**Hospital and Medical**

**Section A - Paid Claims**

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior .....	1,383,592	96,157	19,778	(7,522)	135
2.	1998 .....	10,760,277	1,993,924	117,791	1,043	1,661
3.	1999 .....	X X X	10,981,758	1,568,010	79,291	3,201
4.	2000 .....	X X X	X X X	11,341,177	1,702,862	26,161
5.	2001 .....	X X X	X X X	X X X	12,816,602	1,081,181
6.	2002 .....	X X X	X X X	X X X	X X X	4,732,415

**Section B - Incurred Claims**

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior .....	9,085,958	9,155,743	9,175,521	9,167,999	9,168,134
2.	1998 .....	13,607,677	12,882,257	12,871,992	12,873,035	12,874,696
3.	1999 .....	X X X	12,869,924	12,645,809	12,629,059	12,632,260
4.	2000 .....	X X X	X X X	13,630,554	13,140,081	13,070,432
5.	2001 .....	X X X	X X X	X X X	15,336,945	14,061,319
6.	2002 .....	X X X	X X X	X X X	X X X	6,274,652

**Section C - Incurred Year Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1.	Prior to 1998 .....	X X X	1,693		X X X	1,693	X X X			1,693	X X X
2.	1998 .....	18,285,484	12,874,696	14,560	0.113	12,889,256	70.489	1,440	21	12,890,717	70.497
3.	1999 .....	12,375,615	12,632,260	16,367	0.130	12,648,627	102.206	3,360	48	12,652,035	102.234
4.	2000 .....	11,577,183	13,070,432	17,557	0.134	13,087,989	113.050	4,800	68	13,092,857	113.092
5.	2001 .....	11,571,914	14,061,319	21,564	0.153	14,082,883	121.699	38,400	548	14,121,831	122.035
6.	2002 .....	7,627,197	6,274,652	18,985	0.303	6,293,637	82.516	1,542,237	22,020	7,857,894	103.025
7.	TOTAL (Lines 1 through 6) .....	X X X	58,915,052	89,033	X X X	59,004,085	X X X	1,590,237	22,705	60,617,027	X X X
8.	TOTAL (Lines 2 through 6) .....	61,437,393	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X

**12      Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement . . . . NONE**

**12      Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . . NONE**

**12      Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . . . NONE**

**12      Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only. . . . . NONE**

**12      Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only. . . . . NONE**

**12      Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only. . . . . NONE**

**12      Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only. . . . . NONE**

**12      Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only. . . . . NONE**

**12      Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only. . . . . NONE**

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS (000 Omitted)

Federal Employees Health Benefits Plan Premiums

Section A - Paid Claims

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior .....	82,122	5,707	1,174	(446)	17
2.	1998 .....	638,671	118,348	6,991	62	208
3.	1999 .....	X X X	651,817	93,068	4,706	400
4.	2000 .....	X X X	X X X	673,150	101,072	3,270
5.	2001 .....	X X X	X X X	X X X	760,723	135,148
6.	2002 .....	X X X	X X X	X X X	X X X	563,194

Section B - Incurred Claims

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior .....	539,293	543,435	544,609	544,162	544,179
2.	1998 .....	807,677	764,620	764,011	764,073	764,281
3.	1999 .....	X X X	763,888	750,586	749,592	749,992
4.	2000 .....	X X X	X X X	809,035	779,923	777,490
5.	2001 .....	X X X	X X X	X X X	910,317	908,317
6.	2002 .....	X X X	X X X	X X X	X X X	755,974

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1.	Prior to 1998 .....	X X X			X X X		X X X				X X X
2.	1998 .....	646,718	764,281	2,197	0.287	766,478	118.518	180	2	766,660	118.546
3.	1999 .....	857,960	749,992	2,470	0.329	752,462	87.704	420	6	752,888	87.753
4.	2000 .....	684,460	777,490	2,649	0.341	780,139	113.979	600	9	780,748	114.068
5.	2001 .....	674,614	908,317	3,254	0.358	911,571	135.125	4,800	69	916,440	135.847
6.	2002 .....	1,011,674	755,974	2,864	0.379	758,838	75.008	192,780	2,752	954,370	94.336
7.	TOTAL (Lines 1 through 6) .....	X X X	3,956,054	13,434	X X X	3,969,488	X X X	198,780	2,838	4,171,106	X X X
8.	TOTAL (Lines 2 through 6) .....	3,875,426	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS (000 Omitted)**

**Title XVIII - Medicare**

**Section A - Paid Claims**

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior .....	NONE				
2.	1998 .....					
3.	1999 .....					
4.	2000 .....		X X .....			
5.	2001 .....		X X .....	X X X .....		
6.	2002 .....		X X X .....	X X X .....	X X X .....	

**Section B - Incurred Claims**

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior .....	NONE				
2.	1998 .....					
3.	1999 .....					
4.	2000 .....		X X .....			
5.	2001 .....		X X .....	X X X .....		
6.	2002 .....		X X X .....	X X X .....	X X X .....	

**Section C - Incurred Year Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred		1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9/1) Percent
1.	Prior to 1998 .....	X X X .....			X X X .....		X X X .....				X X X .....
2.	1998 .....										
3.	1999 .....										
4.	2000 .....										
5.	2001 .....										
6.	2002 .....										
7.	TOTAL (Lines 1 through 6) .....	X X X .....			X X X .....		X X X .....				X X X .....
8.	TOTAL (Lines 2 through 6) .....		X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....



**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS (000 Omitted)**

**Title XIX - Medicaid**  
**Section A - Paid Claims**

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior .....	7,177,958	498,853	102,605	(39,023)	1,541
2.	1998 .....	55,823,399	10,344,308	611,088	5,412	18,899
3.	1999 .....	X X X .....	56,972,421	8,134,699	411,356	36,408
4.	2000 .....	X X X .....	X X X .....	58,837,058	8,834,302	297,576
5.	2001 .....	X X X .....	X X X .....	X X X .....	66,491,436	12,298,438
6.	2002 .....	X X X .....	X X X .....	X X X .....	X X X .....	62,449,341

**Section B - Incurred Claims**

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior .....	47,137,172	47,499,211	47,601,816	47,562,793	47,564,334
2.	1998 .....	70,595,462	66,832,049	66,778,794	66,784,206	66,803,105
3.	1999 .....	X X X .....	66,768,063	65,605,378	65,518,477	65,554,885
4.	2000 .....	X X X .....	X X X .....	70,714,149	68,169,618	67,968,707
5.	2001 .....	X X X .....	X X X .....	X X X .....	79,566,760	79,899,299
6.	2002 .....	X X X .....	X X X .....	X X X .....	X X X .....	79,992,296

**Section C - Incurred Year Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1.	Prior to 1998 .....	X X X .....			X X X .....		X X X .....				X X X .....
2.	1998 .....	61,300,237	66,803,105	184,702	0.276	66,987,807	109.278	16,380	234	67,004,421	109.305
3.	1999 .....	71,006,429	65,554,885	207,622	0.317	65,762,507	92.615	38,220	546	65,801,273	92.669
4.	2000 .....	85,396,385	67,968,707	222,713	0.328	68,191,420	79.853	54,600	780	68,246,800	79.918
5.	2001 .....	91,943,199	79,899,299	273,531	0.342	80,172,830	87.198	436,800	6,236	80,615,866	87.680
6.	2002 .....	94,126,471	79,992,296	240,821	0.301	80,233,117	85.240	17,542,955	250,470	98,026,542	104.143
7.	TOTAL (Lines 1 through 6) .....	X X X .....	360,218,292	1,129,389	X X X .....	361,347,681	X X X .....	18,088,955	258,266	379,694,902	X X X .....
8.	TOTAL (Lines 2 through 6) .....	403,772,721	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....

**12      Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Other . . . . . NONE**

**12      Underwriting Invest Exh Pt 2C Sn B - Incur Claims - Other . . . . . NONE**

**12      Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Other . . . . . NONE**

**13      Underwriting Invest Exh Pt 2D - A & H Reserve - . . . . . NONE**

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 3 - ANALYSIS OF EXPENSES**

		1	2	3	4
		Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1.	Rent (\$..... for occupancy of own building) .....		428,646		428,646
2.	Salaries, wages and other benefits .....	291,856	6,286,815		6,578,671
3.	Commissions (less \$..... ceded plus \$..... assumed) ...		12,715		12,715
4.	Legal fees and expenses .....		1,143,057		1,143,057
5.	Certifications and accreditation fees .....		285,764		285,764
6.	Auditing, actuarial and other consulting services .....		428,646		428,646
7.	Traveling expenses .....		428,646		428,646
8.	Marketing and advertising .....		1,428,821		1,428,821
9.	Postage, express and telephone .....		857,293		857,293
10.	Printing and office supplies .....		285,764		285,764
11.	Occupancy, depreciation and amortization .....		714,411		714,411
12.	Equipment .....		142,882		142,882
13.	Cost or depreciation of EDP equipment and software .....				
14.	Outsourced services including EDP, claims, and other services .....				
15.	Boards, bureaus and association fees .....		142,882		142,882
16.	Insurance, except on real estate .....		571,528		571,528
17.	Collection and bank service charges .....		142,882		142,882
18.	Group service and administration fees .....				
19.	Reimbursements by uninsured accident and health plans .....				
20.	Reimbursements from fiscal intermediaries .....				
21.	Real estate expenses .....				
22.	Real estate taxes .....				
23.	Taxes, licenses and fees:				
23.1	State and local insurance taxes .....				
23.2	State premium taxes .....				
23.3	Regulator authority licenses and fees .....				
23.4	Payroll taxes .....		285,764		285,764
23.5	Other (excluding federal income and real estate taxes) .....				
24.	Investment expenses not included elsewhere .....				
25.	Aggregate write-ins for expenses .....		714,411		714,411
26.	Total expenses incurred (Lines 1 to 25) .....	291,856	14,300,927		(a) 14,592,783
27.	Add expenses unpaid December 31, prior year .....				
28.	Less expenses unpaid December 31, current year .....				
29.	Amounts receivable relating to uninsured accident and health plans, prior year .....				
30.	Amounts receivable relating to uninsured accident and health plans, current year .....				
31.	Total expenses paid (Lines 26 plus 27 minus 28 minus 29 plus 30) .	291,856	14,300,927		14,592,783
<b>DETAILS OF WRITE-INS</b>					
2501.	Office Supplies .....		714,411		714,411
2502.	.....				
2503	.....				
2598.	Summary of remaining write-ins for Line 25 from overflow page .....				
2599.	Totals (Lines 2501 through 2503 + 2598)(Line 25 above) .....		714,411		714,411

(a) Includes management fees of \$..... to affiliates and \$..... 14,237,783 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds .....	(a).....	561
1.1	Bonds exempt from U.S. tax .....	(a).....	
1.2	Other bonds (unaffiliated) .....	(a).....	
1.3	Bonds of affiliates .....	(a).....	
2.1	Preferred stocks (unaffiliated) .....	(b).....	
2.11	Preferred stocks of affiliates .....	(b).....	
2.2	Common stocks (unaffiliated) .....		
2.21	Common stocks of affiliates .....		
3.	Mortgage loans .....	(c).....	
4.	Real estate .....	(d).....	
5.	Contract loans .....		
6.	Cash/short-term investments .....	(e)..... 326,676	326,091
7.	Derivative instruments .....	(f).....	
8.	Other invested assets .....		
9.	Aggregate write-ins for investment income .....		
10.	Total gross investment income .....	326,676	326,652
11.	Investment expenses .....		(g).....
12.	Investment taxes, licenses and fees, excluding federal income taxes .....		(g).....
13.	Interest expense .....		(h).....
14.	Depreciation on real estate and other invested assets .....		(i).....
15.	Aggregate write-ins for deductions from investment income .....		
16.	Total deductions (Lines 11 through 15) .....		
17.	Net Investment income (Line 10 minus Line 16) .....		326,652
DETAILS OF WRITE-INS			
0901	.....		
0902	.....		
0903	.....		
0998.	Summary of remaining write-ins for Line 9 from overflow page .....		
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....		
1501	.....		
1502	.....		
1503	.....		
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		
1599.	TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above) .....		

- (a) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.
- (b) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued dividends on purchases.
- (c) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.
- (d) Includes \$..... for company's occupancy of its own buildings; and excluding \$..... interest on encumbrances.
- (e) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.
- (f) Includes \$..... accrual of discount less \$..... amortization of premium.
- (g) Includes \$..... investment expenses and \$..... investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$..... interest on surplus notes and \$..... interest on capital notes.
- (i) Includes \$..... depreciation on real estate and \$..... depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Net Gain (Loss) from Change in Difference Between Basis Book/Adjusted Carrying and Admitted Values	Total
1.	U.S. Government bonds .....					
1.1	Bonds exempt from U.S. tax .....					
1.2	Other bonds (unaffiliated) .....					
1.3	Bonds of affiliates .....					
2.1	Preferred stocks (unaffiliated) .....					
2.11	Preferred stocks of affiliates .....					
2.2	Common stocks (unaffiliated) .....					
2.21	Common stocks of affiliates .....				202,379	202,379
3.	Mortgage loans .....					
4.	Real estate .....					
5.	Contract loans .....					
6.	Cash/short-term investments .....					
7.	Derivative instruments .....					
8.	Other invested assets .....					
9.	Aggregate write-ins for capital gains (losses) .....					
10.	Total capital gains (losses) .....				202,379	202,379
DETAILS OF WRITE-INS						
0901	.....					
0902	.....					
0903	.....					
0998.	Summary of remaining write-ins for Line 9 from overflow page .....					
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....					

**EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS**

	1 End of Current Year	2 End of Prior Year	3 Changes for Year (Increase) or Decrease
1. Summary of items Page 2, Lines 10 to 13 and 15 to 20, Column 2 .....	.....	.....	.....
2. Other Nonadmitted Assets:			
2.1 Bills receivable .....	.....	.....	.....
2.2 Leasehold improvements .....	.....	.....	.....
2.3 Cash advanced to or in the hands of officers and agents .....	.....	.....	.....
2.4 Loans on personal security, endorsed or not .....	.....	.....	.....
2.5 Commuted commissions .....	.....	.....	.....
3. Total (Lines 2.1 to 2.5) .....	.....	.....	.....
4. Aggregate write-ins for other assets .....	2,873,333	3,557,026	683,693
5. TOTAL (Line 1 plus Line 3 and Line 4) .....	2,873,333	3,557,026	683,693
<b>DETAILS OF WRITE-INS</b>			
0401. MEMBERSHIP LIST .....	133,023	190,033	57,010
0402. SUBSIDIARY MEMBERSHIP LIST .....	2,715,310	3,366,993	651,683
0403. SUBSIDIARY - PREPAID EXPENSES .....	25,000	.....	(25,000)
0498. Summary of remaining write-ins for Line 4 from overflow page .....	.....	.....	.....
0499. TOTALS (Lines 0401 through 0403 plus 0498) (Line 4 above) .....	2,873,333	3,557,026	683,693

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE

Source of Enrollment		Total Members at End of					6
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1.	Health Maintenance Organizations .....	54,639	49,773	51,821	54,563	53,327	623,466
2.	Provider Service Organizations .....						
3.	Preferred Provider Organizations .....						
4.	Point of Service .....						
5.	Indemnity Only .....						
6.	Aggregate write-ins for other lines of business .....						
7.	TOTAL .....	54,639	49,773	51,821	54,563	53,327	623,466
DETAILS OF WRITE-INS							
0601	.....						
0602	.....						
0603	.....						
0698.	Summary of remaining write-ins for Line 6 from overflow page .....						
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....						

## Notes to Financial Statement

### Note 1 - Nature of Business and Summary of Significant Accounting Policies

Total Health Care, Inc. (the "Company") operates as a state-licensed health maintenance organization (HMO). Total Health Care, Inc. provides medical services to persons primarily in southeastern Michigan who subscribe as recipients of state or federal health benefits, as recipients of Wayne County general assistance, as part of an employer group, or as individuals.

**Statutory Basis of Accounting** - The financial statements have been prepared in accordance with the NAIC *Accounting Practices and Procedures* manual and the statutory accounting principles as prescribed by Section 1007 of the Michigan statutes. Statutory accounting principles differ from generally accepted accounting principles (GAAP) in their definition of assets and liabilities. Specifically, certain assets (such as intangible assets and prepaid assets) are excluded from the statutory-basis balance sheet. GAAP net assets exceed statutory net assets by approximately \$2,900,000 and \$3,500,000 at December 31, 2002 and 2001, respectively. There are no significant differences between statutory accounting principles prescribed by the NAIC and the State of Michigan accounting requirements that are applicable to the Company.

**Cash and Cash Equivalents** - The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Certificates of deposit in banks or other similar financial institutions with maturity dates of one year or less from the acquisition date are considered cash under statutory accounting principles.

**Investments** - Short-term investments and long-term certificates of deposit are recorded at cost, which approximates fair market value. Long-term certificates of deposit are classified as bonds on the balance sheet per statutory guidance. Investments in health care subsidiaries are reported at the statutory net worth value of the subsidiary under the equity method. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in net investment income on the statement of revenue and expenses. Changes in unrealized gains and losses on investments are included as a direct adjustment to capital and surplus.

**Furniture and Equipment** - Furniture and equipment consist of certain assets used directly for provision of health care and are recorded at cost. Depreciation of furniture and equipment is recognized under the straight-line method over the estimated useful life of the asset. Depreciation expense for furniture and equipment totaled approximately \$5,000 and \$7,000 for the years ended December 31, 2002 and 2001, respectively.

**Revenue Recognition and Accounts Receivable** - Capitation revenue and subscriber premiums are recognized in the period members are entitled to related health care services. A substantial portion of accounts receivable is due from third-party payors for subscribers located within southeastern Michigan. An allowance for doubtful accounts of \$250,000 and \$200,000 has been recorded for receivables at December 31, 2002 and 2001, respectively. All receivables greater than 90 days old are fully reserved.

**Recognition of Medical and Hospital Expenses** - Medical and hospital expenses and the related liabilities are recorded when eligible medical and hospital services are authorized or performed. Claims payable represent management's estimate of the ultimate cost to settle all claims incurred prior to year end. Capitation retained for the settlement of risk-sharing is included in the accrued medical incentive pool liability at December 31, 2002 and 2001.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles prescribed or permitted by the Division of Insurance of the State of Michigan requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Certain significant estimates exist relating to claims payable. It is at least reasonably possible that these estimates will be materially revised in the near term.

### Note 2 - Accounting Changes and Corrections of Errors

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Michigan. Effective January 1, 2003, the State of Michigan

## Notes to Financial Statement

will require that health maintenance organizations domiciled in the state of Michigan prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual in effect on January 1, 2003 subject to any deviations prescribed or permitted by the State of Michigan insurance commissioner. There will be no impact of the potential future accounting changes.

### **Note 3 - Business Combinations and Goodwill**

This Note is not applicable to the Company.

### **Note 4 - Discontinued Operations**

This Note is not applicable to the Company.

### **Note 5 - Investments**

The Company does not have investments relating to mortgage loans, debt restructuring, reverse mortgages, loan-backed securities, or repurchase agreements.

### **Note 6 - Joint Ventures, Partnerships, and Limited Liability Companies**

The Company has no investments in joint ventures, partnerships, or limited liability companies.

### **Note 7 - Investment Income**

The Company has no investment income due and accrued over 90 days past due.

### **Note 8 - Derivative Instruments**

The Company does not invest in derivatives.

### **Note 9 - Income Taxes**

This Note is not applicable to the Company.

### **Note 10 - Information Concerning Parent, Subsidiaries, and Affiliates**

The Company owns 100 percent of two subsidiaries: A Total Health Choice, Inc. and Total Health Choice, Inc. A Total Health Choice, Inc. has a statutory statement value of \$212,387 and \$205,750 at December 31, 2002 and 2001, respectively. Total Health Choice, Inc. has a statutory statement value of \$2,828,904 and \$2,366,670 at December 31, 2002 and 2001, respectively. The value of the investment in Total Health Choice, Inc. has been reduced by non-admitted assets totaling \$2,740,310 and \$3,366,994 at December 31, 2002 and 2001, respectively.

On February 28, 2001, the Company repaid a long-term promissory note payable in the amount of \$809,333, including principal and interest, to A Total Health Choice, Inc.

The Company received a dividend from A Total Health Choice, Inc. on October 22, 2001 totaling \$1,000,000.

On October 31, 2001, the Company received proceeds on the sale of a building held for investment purposes from Total Health Choice, Inc. totaling \$1,566,966.

During the year ended December 31, 2001, the Company reported premium revenue of approximately \$6,700,000 and related claim expense from A Total Health Choice, Inc. During the year ended December 31, 2002, the Company reported no premium revenue or expense attributable to A Total Health Choice, Inc. Rather, profit from the subsidiary's activity of \$385,193 in 2002 was reported as unrealized gain, at the direction of the Michigan Office of Financial and Insurance Services.

### **Note 11 - Debt**

This Note is not applicable to the Company.

### **Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences, and Other Postretirement Benefit Plans**



## Notes to Financial Statement

This Note is not applicable to the Company.

### **Note 13 - Capital and Surplus, Stockholders' Dividend Restrictions, and Quasi-reorganizations**

The portion of unassigned funds (surplus) represented or reduced by unrealized gains and the change in nonadmitted asset values is \$886,072 and \$3,076,264 at December 31, 2002 and 2001, respectively.

### **Note 14 - Contingencies**

Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from litigation and other matters are not considered material in relation to the financial position of the Company. No amounts have been accrued for losses as no losses are deemed probable or estimable.

### **Note 15 - Leases**

This Note is not applicable to the Company.

### **Note 16 - Information About Financial Instruments with Off-balance-sheet Risk and Financial Instruments with Concentrations of Credit Risk**

This Note is not applicable to the Company.

### **Note 17 - Sale, Transfer, and Servicing of Financial Assets and Extinguishments of Liabilities**

This Note is not applicable to the Company.

### **Note 18 - Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans**

This Note is not applicable to the Company.

### **Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

This Note is not applicable to the Company.

### **Note 20 - Other Items**

At December 31, 2002 and 2001, the Company had admitted assets of \$3,063,804 and \$3,134,500, respectively, in accounts receivable for amounts due from subscribers, governmental entities, and other health care providers. The Company routinely assesses the collectibility of these receivables and adjusts the allowance for uncollectible accounts accordingly.

The Company has a net liability from provider specialty claim withhold arrangements.

The Company does not record pharmaceutical rebate receivables. Rebates are netted with pharmacy expense when received. During 2002 and 2001, pharmacy rebates in the amount of \$324,305 and \$380,268 were collected, respectively.

The Company did not have activity relating to extraordinary items, troubled debt restructuring, multiple peril crop insurance, mezzanine real estate loans, or September 11 events during 2002 and 2001.

### **Note 21 - Events Subsequent**

No unusual or material events have occurred subsequent to year end.

### **Note 22 - Reinsurance**

Total Health Care, Inc. maintains a reinsurance policy to provide coverage on an annual per member basis after a \$220,000 deductible is reached. The maximum lifetime reinsurance indemnity payable under each agreement is \$2,000,000 per member. The Company has reported

## Notes to Financial Statement

premiums net of reinsurance ceded of \$408,129 and \$272,248 as of December 31, 2002 and 2001, respectively. Losses recovered by the Company totaled \$138,223 and \$171,137 during 2002 and 2001, respectively. The Company recorded reinsurance recoverable of \$28,341 and \$64,604 at December 31, 2002 and 2001, respectively.

The Company does not have reinsurance assumed, uncollectible reinsurance, or retroactive reinsurance.

**Note 23 - Retrospectively Rated Contracts**

This Note is not applicable to the Company.

**Note 24 - Salvage and Subrogation**

Loss reserves have not been reduced for any salvage or subrogation. During 2002 and 2001, the Company received subrogation totaling \$992 and \$22,275, respectively.

**Note 25 - Change in Incurred Claims and Claim Adjustment Expenses**

The estimated reserve for claims payable, including known and unsettled claims, is determined by the Company. The method of making such estimates and for establishing the resulting reserves is continually reviewed and updated and any adjustments resulting therefrom are reflected in expense currently. The estimated reserve for claims incurred but not reported has been determined by an enrolled actuary. Although management believes that the provision for unpaid claims is adequate, no assurance can be given that the ultimate settlement of these liabilities may not be greater or less than such estimates. Any future adjustments to these amounts will affect the reported results of future periods.

Activity in the liability for claims payable is summarized as follows:

	2002	2001
Balance - January 1	\$ 15,659,854	\$ 14,365,033
Incurred (recovered) related to:		
Current year	87,022,922	94,611,907
Prior years	(1,155,610)	(3,188,824)
Total incurred	85,867,312	91,423,083
Paid related to:		
Current year	67,744,950	79,552,053
Prior year	13,904,244	10,576,209
Total paid	81,649,194	90,128,262
Balance - December 31	\$ 19,877,972	\$ 15,659,854

The 2001 and 2002 incurred relating to prior years decreased due to claims settling for less than originally estimated.

**Note 26 - Organization and Operation**

Total Health Care, Inc. operates as a state-licensed health maintenance organization. Total Health Care, Inc. provides medical services to persons primarily in southeastern Michigan who subscribe as recipients of state or federal health benefits, as recipients of Wayne County general assistance, as part of an employer group, or as individuals.

Enrollment in the Medicaid program began in May 1976. At December 31, 2002, approximately 91 percent of subscribers were covered by Medicaid contracts.

Notes to Financial Statement

Total Health Care, Inc. and Total Health Choice, Inc., a wholly owned subsidiary, have common officers on their respective governing boards.

**Physician Group Contracts** - The Company contracts with physician groups for the provision of medical care and compensates the groups on a capitation basis. A portion of the capitation payments is retained for payment of specialty claims, pharmacy incentives, and settlement of risk-sharing agreements with each of the physician groups. These retentions are included in the accrued medical incentive pool liability at December 31, 2002 and 2001.

**Hospital Group Contracts** - The Company contracts with several hospital and other groups. These contracts are paid under capitated fees or various other charge arrangements.

**Malpractice Claims** - The Company has a claims-made policy for malpractice insurance. The Company's policy is to accrue for estimated costs of claims and incidents during the term of the claims-made policy.

**Management Agreement** - The Company has a management agreement with a limited liability company. The management company is responsible for most of the management, operational, and administrative expenses of the Company. However, the ultimate control rests with the Board of Directors of Total Health Care, Inc.

**Income Taxes** - Total Health Care, Inc. has received federal income tax exemption under Internal Revenue Code Section 501(c)(4). The Company is also exempt from state and local income taxes.

Note 27 - Minimum Net Worth

**Business and Regulatory Environment** - As required under Michigan statutes, the Company must maintain as minimum surplus an amount equal to the greater of \$1,500,000 or 4 percent of subscription revenue or three months' uncovered expenditures. Minimum net worth is calculated as follows at December 31, 2002:

	2002	2001
Net earned subscription revenue	\$ 102,765,342	\$ 97,495,120
Percentage of subscription revenue	4.0%	4.0%
Minimum net worth requirement	\$ 4,110,614	\$ 3,899,805

**Funds Maintained Under Statutory Requirements** - The Company maintains funds under statutory requirements to protect members and health care providers in the event the Company is unable to meet its contractual obligations. These funds can be issued only at the direction of the insurance commissioner in accordance with statutory provisions. Interest earned on these funds can be utilized by the Company. At December 13, 2002, \$1,000,000 was held in short-term and long-term certificates of deposit to fulfill these requirements. At December 31, 2001, \$1,000,000 was held in short-term certificates of deposit to fulfill these requirements.

Note 28 - Financial Instruments

Investments at December 31, 2002 and 2001 are as follows:

		2002	2001
Long-term certificate of deposit		\$ 500,000	\$ -
Common stocks - Subsidiaries		3,016,290	2,572,420
Money market funds		6,473,031	6,354,856
Total investments		9,989,321	8,927,276
Less current portion		6,473,031	6,354,856
Long-term portion		\$ 3,516,290	\$ 2,572,420

Notes to Financial Statement

"Common Stocks - Subsidiaries" represents the statutory value of the Company's investment in A Total Health Choice, Inc. and Total Health Choice, Inc., which are wholly owned subsidiaries engaged in the provision of health care services in Michigan and Florida, respectively.

	2002	2001
Investment income:		
Interest and dividend income	\$ 363,388	\$ 708,581
Other changes in net worth - Unrealized gains on investments	\$ 202,379	\$ 23,144

**SUMMARY INVESTMENT SCHEDULE**

Investment Categories		Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
		1 Amount	2 Percentage	3 Amount	4 Percentage
1.	Bonds:				
1.1	U.S. treasury securities .....	500,000	1.735	500,000	1.917
1.2	U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21	Issued by U.S. government agencies .....				
1.22	Issued by U.S. government sponsored agencies .....				
1.3	Foreign government (including Canada, excluding mortgage-backed securities) .....				
1.4	Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41	States, territories and possessions general obligations .....				
1.42	Political subdivisions of states, territories and possessions and political subdivisions general obligations .....				
1.43	Revenue and assessment obligations .....				
1.44	Industrial development and similar obligations .....				
1.5	Mortgage-backed securities (includes residential and commercial MBS):				
1.51	Pass-through securities:				
1.511	Guaranteed by GNMA .....				
1.512	Issued by FNMA and FHLMC .....				
1.513	Privately issued .....				
1.52	CMOs and REMICs:				
1.521	Issued by FNMA and FHLMC .....				
1.522	Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC .....				
1.523	All other privately issued .....				
2.	Other debt and other fixed income securities (excluding short term):				
2.1	Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) .....				
2.2	Unaffiliated foreign securities .....				
2.3	Affiliated securities .....				
3.	Equity interests:				
3.1	Investments in mutual funds .....				
3.2	Preferred stocks:				
3.21	Affiliated .....				
3.22	Unaffiliated .....				
3.3	Publicly traded equity securities (excluding preferred stocks):				
3.31	Affiliated .....				
3.32	Unaffiliated .....				
3.4	Other equity securities:				
3.41	Affiliated .....	5,756,600	19.973	3,016,290	11.565
3.42	Unaffiliated .....				
3.5	Other equity interests including tangible personal property under lease:				
3.51	Affiliated .....				
3.52	Unaffiliated .....				
4.	Mortgage loans:				
4.1	Construction and land development .....				
4.2	Agricultural .....				
4.3	Single family residential properties .....				
4.4	Multifamily residential properties .....				
4.5	Commercial loans .....				
5.	Real estate investments:				
5.1	Property occupied by company .....				
5.2	Property held for production of income (includes \$..... of property acquired in satisfaction of debt) .....				
5.3	Property held for sale (\$..... including property acquired in satisfaction of debt) .....				
6.	Policy loans .....				
7.	Receivables for securities .....				
8.	Cash and short-term investments .....	22,564,650	78.292	22,564,650	86.518
9.	Other invested assets .....				
10.	Total invested assets .....	28,821,250	100.000	26,080,940	100.000

**GENERAL INTERROGATORIES**  
**PART 1 - COMMON INTERROGATORIES**  
**GENERAL**

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes[X] No[ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes[X] No[ ] N/A[ ]  
..... Michigan .....
- 1.3 State Regulating?

Yes[ ] No[X]  
.....
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[ ] No[X]  
.....
- 2.2 If yes, date of change:  
If not previously filed, furnish herewith a certified copy of the instrument as amended.

.....12/31/1999.....
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

.....12/31/1999.....
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

.....12/31/1999.....
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

.....09/20/2000.....
- 3.4 By what department or departments?  
MICHIGAN DIVISION OF INSURANCE
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

Yes[ ] No[X]
- 4.11 sales of new business?

Yes[ ] No[X]
- 4.12 renewals?
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

Yes[ ] No[X]
- 4.21 sales of new business?

Yes[ ] No[X]
- 4.22 renewals?
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[ ] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile
.....	.....	.....

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement)

Yes[ ] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes[ ] No[X]
- 7.2 If yes,

..... %
- 7.21 State the percentage of foreign control
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1	2
Nationality	Type of Entity
N/A .....	.....

**GENERAL INTERROGATORIES (continued)**

8. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
PLANTE & MORAN, PLLC 2601 CAMBRIDGE COURT, SUITE 500, AUBURN HILLS, MI 48326

9. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
STEVEN P. ZOLDOS WAKELY CONSULTING GROUP 19321 US HIGHWAY 19 N, SUITE 515, CLEARWATER, FL 33764

10. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:  
10.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?  
10.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?  
10.3 Have there been any changes made to any of the trust indentures during the year?  
10.4 If answer to (10.3) is yes, has the domiciliary or entry state approved the changes?
- Yes[ ] No[ ] N/A[X]

Yes[ ] No[ ] N/A[X]

Yes[ ] No[ ] N/A[X]

**BOARD OF DIRECTORS**

11. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

12. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

13. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person?
- Yes[X] No[ ]

Yes[X] No[ ]

Yes[X] No[ ]

**FINANCIAL**

- 14.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):  
14.11 To directors or other officers  
14.12 To stockholders not officers  
14.13 Trustees, supreme or grand (Fraternal only)

14.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):  
14.21 To directors or other officers  
14.22 To stockholders not officers  
14.23 Trustees, supreme or grand (Fraternal only)

15.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

15.2 If yes, state the amount thereof at December 31 of the current year:  
15.21 Rented from others  
15.22 Borrowed from others  
15.23 Leased from others  
15.24 Other
- \$ .....  
\$ .....  
\$ .....

\$ .....  
\$ .....  
\$ .....

Yes[ ] No[X]

\$ .....  
\$ .....  
\$ .....  
\$ .....
- Disclose in Notes to Financial the nature of each obligation.

16.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

16.2 If answer is yes:  
16.21 Amount paid as losses or risk adjustment  
16.22 Amount paid as expenses  
16.23 Other amounts paid
- Yes[ ] No[X]

\$ .....  
\$ .....  
\$ .....

**GENERAL INTERROGATORIES (continued)**

**INVESTMENT**

17. List the following capital stock information for the reporting entity:

	1	2	3	4	5	6
Class	Number of Shares Authorized	Number of Shares Outstanding	Par Value Per Share	Redemption Price If Callable	Is Dividend Rate Limited?	Are Dividends Cumulative?
1. Preferred .....	.....	.....	.....	.....	Yes[ ] No[ ] N/A[X]	Yes[ ] No[ ] N/A[X]
2. Common .....	.....	.....	.....	X X X .....	X X X .....	X X X .....

18.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 2 - Special Deposits?

Yes[X] No[ ]

18.2 If no, give full and complete information, relating thereto:

19.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 2 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 15.1).

Yes[ ] No[X]

19.2 If yes, state the amount thereof at December 31 of the current year:

19.21 Loaned to others	\$
19.22 Subject to repurchase agreements	\$
19.23 Subject to reverse repurchase agreements	\$
19.24 Subject to dollar repurchase agreements	\$
19.25 Subject to reverse dollar repurchase agreements	\$
19.26 Pledged as collateral	\$
19.27 Placed under option agreements	\$
19.28 Letter stock or securities restricted as to sale	\$
19.29 Other	\$

19.3 For each category above, if any of these assets are held by other, identify by whom held:

19.31

19.32

19.33

19.34

19.35

19.36

19.37

19.38

19.39

For categories (19.21) and (19.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

19.4 For category (19.28) provide the following:

1	2	3
Nature of Restriction	Description	Amount
.....	.....	.....

20.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes[ ] No[X]

20.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  
If no, attach a description with this statement.

Yes[ ] No[ ] N/A[X]

21.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes[ ] No[X]

21.2 If yes, state the amount thereof at December 31 of the current year.

\$

22. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes[X] No[ ]

22.1 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1		2
Name of Custodian(s)		Custodian's Address
22.1001	BANK ONE - MICHAEL M. BARRY .....	611 WOODWARD AVE., DETROIT, MI 48226 .....
22.1002	COMERICA BANK - PETER KENNEDY .....	P.O. BOX 75000, DETROIT, MI 48275-3462 .....



**GENERAL INTERROGATORIES (continued)**

**INVESTMENT**

22.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

22.03 Have there been any changes, including name changes, in the custodian(s) identified in 22.01 during the current year? Yes[ ] No[X]  
22.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

22.05 Identify all investment advisers, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ .....  
23.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
N/A .....	

24.1 Amount of payments for legal expenses, if any? \$ .....  
24.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
N/A .....	

25.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$ .....  
25.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

1 Name	2 Amount Paid
N/A .....	



FIVE-YEAR HISTORICAL DATA

	1 2002	2 2001	3 2000	4 1999	5 1998
<b>BALANCE SHEET ITEMS (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 23) .....	29,236,699	22,516,680	25,513,773	20,915,273	35,268,696
2. Total liabilities (Page 3, Line 18) .....	21,377,820	17,969,412	20,054,874	16,660,608	21,569,232
3. Statutory surplus .....	7,858,879	4,547,268	5,458,899	4,254,665	13,699,464
4. Total capital and surplus (Page 3, Line 26) .....	7,858,879	4,547,268	5,458,899	4,254,665	13,699,464
<b>INCOME STATEMENT ITEMS (Page 4)</b>					
5. Total revenues (Line 7) .....	102,765,342	104,189,727	97,658,028	84,240,004	80,232,439
6. Total medical and hospital expenses (Line 17) .....	86,075,176	92,087,978	83,852,780	76,218,562	82,825,262
7. Total administrative expenses (Line 19) .....	14,300,927	16,462,800	14,238,485	14,885,969	14,220,568
8. Net underwriting gain (loss) (Line 22) .....	2,097,383	(4,697,027)	(346,092)	(6,803,011)	(17,119,028)
9. Net investment gain (loss) (Line 25) .....	326,652	708,581	1,085,005	4,159,438	5,472,749
10. Total other income (Lines 26 plus 27) .....	1,504	551	459	1,709	162,354
11. Net income or (loss) (Line 30) .....	2,425,539	(3,987,895)	739,372	(2,641,864)	(11,483,925)
<b>RISK-BASED CAPITAL ANALYSIS</b>					
12. Total adjusted capital .....	7,858,879	4,547,268	5,458,899	4,254,665	13,699,464
13. Authorized control level risk-based capital .....	4,636,466	4,410,241	2,897,592		
<b>ENROLLMENT (Exhibit 2)</b>					
14. Total members at end of period (Column 5, Line 7) .....	53,327	54,639	53,152	46,872	56,335
15. Total members months (Column 6, Line 7) .....	623,466	651,940	610,072	606,784	658,537
<b>OPERATING PERCENTAGE (Page 4)</b>					
<b>(Item divided by Page 4, sum of Lines 2, 3 and 5)</b>					
16. Premiums earned (Lines 2 plus 3) .....	100.0	100.0	100.0	100.0	100.0
17. Total medical and hospital (Line 17) .....	83.8	88.4	85.9	90.5	103.2
18. Total underwriting deductions (Line 21) .....	98.0	104.5	100.4	108.1	121.3
19. Total underwriting gain (loss) (Line 22) .....	2.0	(4.5)	(0.4)	(8.1)	(21.3)
<b>UNPAID CLAIMS ANALYSIS</b>					
<b>(U&amp;I Exhibit, Part 2B)</b>					
20. Total claims incurred for prior years (Line 11, Col. 5) .....	14,919,884	11,693,017	12,094,184	12,343,114	9,415,036
21. Estimated liability of unpaid claims-[prior year (Line 11, Col. 6)] ..	16,345,261	14,902,353	12,345,879	16,632,488	9,439,933

**FIVE-YEAR HISTORICAL DATA (Continued)**

		1	2	3	4	5
		2002	2001	2000	1999	1998
<b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>						
22.	Affiliated bonds (Sch. D Summary, Line 25, Col. 1) .....					
23.	Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1) .....					
24.	Affiliated common stocks (Sch. D Summary, Line 53, Col. 2) .....	5,756,600	5,939,414	6,916,270	7,403,680	4,876,617
25.	Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11) .....					
26.	Affiliated mortgage loans on real estate .....					
27.	All other affiliated .....					
28.	Total of above Lines 22 to 27 .....	5,756,600	5,939,414	6,916,270	7,403,680	4,876,617

**SCHEDULE D - SUMMARY BY COUNTRY**  
**Long-term Bonds and Stocks OWNED December 31 of Current Year**

Description			1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1.	United States .....	.....	.....	.....	.....
	2.	Canada .....	.....	.....	.....	.....
	3.	Other Countries .....	.....	.....	.....	.....
	4.	Totals .....	.....	.....	.....	.....
States, Territories and Possessions (Direct and Guaranteed)	5.	United States .....	.....	.....	.....	.....
	6.	Canada .....	.....	.....	.....	.....
	7.	Other Countries .....	.....	.....	.....	.....
	8.	Totals .....	.....	.....	.....	.....
Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	9.	United States .....	.....	.....	.....	.....
	10.	Canada .....	.....	.....	.....	.....
	11.	Other Countries .....	.....	.....	.....	.....
	12.	Totals .....	.....	.....	.....	.....
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13.	United States .....	.....	.....	.....	.....
	14.	Canada .....	.....	.....	.....	.....
	15.	Other Countries .....	.....	.....	.....	.....
	16.	Totals .....	.....	.....	.....	.....
Public Utilities (unaffiliated)	17.	United States .....	.....	.....	.....	.....
	18.	Canada .....	.....	.....	.....	.....
	19.	Other Countries .....	.....	.....	.....	.....
	20.	Totals .....	.....	.....	.....	.....
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21.	United States .....	500,000	500,000	500,000	.....
	22.	Canada .....	.....	.....	.....	.....
	23.	Other Countries .....	.....	.....	.....	.....
	24.	Totals .....	500,000	500,000	500,000	.....
Parent, Subsidiaries and Affiliates	25.	Totals .....	.....	.....	.....	.....
	26.	Total Bonds .....	500,000	500,000	500,000	.....
PREFERRED STOCKS Public Utilities (unaffiliated)	27.	United States .....	.....	.....	.....	.....
	28.	Canada .....	.....	.....	.....	.....
	29.	Other Countries .....	.....	.....	.....	.....
	30.	Totals .....	.....	.....	.....	.....
Banks, Trust and Insurance Companies (unaffiliated)	31.	United States .....	.....	.....	.....	.....
	32.	Canada .....	.....	.....	.....	.....
	33.	Other Countries .....	.....	.....	.....	.....
	34.	Totals .....	.....	.....	.....	.....
Industrial and Miscellaneous (unaffiliated)	35.	United States .....	.....	.....	.....	.....
	36.	Canada .....	.....	.....	.....	.....
	37.	Other Countries .....	.....	.....	.....	.....
	38.	Totals .....	.....	.....	.....	.....
Parent, Subsidiaries and Affiliates	39.	Totals .....	.....	.....	.....	.....
	40.	Total Preferred Stocks .....	.....	.....	.....	.....
COMMON STOCKS Public Utilities (unaffiliated)	41.	United States .....	.....	.....	.....	.....
	42.	Canada .....	.....	.....	.....	.....
	43.	Other Countries .....	.....	.....	.....	.....
	44.	Totals .....	.....	.....	.....	.....
Banks, Trust and Insurance Companies (unaffiliated)	45.	United States .....	.....	.....	.....	.....
	46.	Canada .....	.....	.....	.....	.....
	47.	Other Countries .....	.....	.....	.....	.....
	48.	Totals .....	.....	.....	.....	.....
Industrial and Miscellaneous (unaffiliated)	49.	United States .....	.....	.....	.....	.....
	50.	Canada .....	.....	.....	.....	.....
	51.	Other Countries .....	.....	.....	.....	.....
	52.	Totals .....	.....	.....	.....	.....
Parent, Subsidiaries and Affiliates	53.	Totals .....	5,756,600	5,756,600	15,001,000	.....
	54.	Total Common Stocks .....	5,756,600	5,756,600	15,001,000	.....
	55.	Total Stocks .....	5,756,600	5,756,600	15,001,000	.....
	56.	Total Bonds and Stocks .....	6,256,600	6,256,600	15,501,000	.....

(a) The aggregate value of bonds which are valued at other than actual fair value is \$.....

**SCHEDULE D - Verification Between Years**

1. Book/adjusted carrying value of bonds and stocks, prior year. ....	5,939,414	6. Foreign Exchange Adjustment	
2. Cost of bonds and stocks acquired, Column 6, Part 3.....	500,000	6.1 Column 17, Part 1.....	
3. Increase (decrease) by adjustment:		6.2 Column 13, Part 2, Section 1.....	
3.1 Column 16, Part 1.....		6.3 Column 11, Part 2, Section 2.....	
3.2 Column 12, Part 2, Section 1.....		6.4 Column 11, Part 4.....	
3.3 Column 10, Part 2, Section 2.....	(182,814)	7. Book/adjusted carrying value at end of current period.....	6,256,600
3.4 Column 10, Part 4.....	(182,814)	8. Total valuation allowance.....	
4. Total gain (loss), Column 14, Part 4.....		9. Subtotal (Lines 7 plus 8).....	6,256,600
5. Deduct consideration for bonds and stocks disposed of		10. Total nonadmitted assets.....	2,740,310
Column 6, Part 4.....		11. Statement value of bonds and stocks, current period.....	3,516,290

**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**

**Allocated by States and Territories**

			1	2	Direct Business Only			
			Guaranty Fund (Yes or No)	Is Insurer Licensed (Yes or No)	3	4	5	6
State, Etc.					Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums
1.	Alabama	AL .....	... No ...	... No ...				
2.	Alaska	AK .....	... No ...	... No ...				
3.	Arizona	AZ .....	... No ...	... No ...				
4.	Arkansas	AR .....	... No ...	... No ...				
5.	California	CA .....	... No ...	... No ...				
6.	Colorado	CO .....	... No ...	... No ...				
7.	Connecticut	CT .....	... No ...	... No ...				
8.	Delaware	DE .....	... No ...	... No ...				
9.	District of Columbia	DC .....	... No ...	... No ...				
10.	Florida	FL .....	... No ...	... No ...				
11.	Georgia	GA .....	... No ...	... No ...				
12.	Hawaii	HI .....	... No ...	... No ...				
13.	Idaho	ID .....	... No ...	... No ...				
14.	Illinois	IL .....	... No ...	... No ...				
15.	Indiana	IN .....	... No ...	... No ...				
16.	Iowa	IA .....	... No ...	... No ...				
17.	Kansas	KS .....	... No ...	... No ...				
18.	Kentucky	KY .....	... No ...	... No ...				
19.	Louisiana	LA .....	... No ...	... No ...				
20.	Maine	ME .....	... No ...	... No ...				
21.	Maryland	MD .....	... No ...	... No ...				
22.	Massachusetts	MA .....	... No ...	... No ...				
23.	Michigan	MI .....	... No ...	... No ...	7,657,196		94,500,621	1,015,654
24.	Minnesota	MN .....	... No ...	... No ...				
25.	Mississippi	MS .....	... No ...	... No ...				
26.	Missouri	MO .....	... No ...	... No ...				
27.	Montana	MT .....	... No ...	... No ...				
28.	Nebraska	NE .....	... No ...	... No ...				
29.	Nevada	NV .....	... No ...	... No ...				
30.	New Hampshire	NH .....	... No ...	... No ...				
31.	New Jersey	NJ .....	... No ...	... No ...				
32.	New Mexico	NM .....	... No ...	... No ...				
33.	New York	NY .....	... No ...	... No ...				
34.	North Carolina	NC .....	... No ...	... No ...				
35.	North Dakota	ND .....	... No ...	... No ...				
36.	Ohio	OH .....	... No ...	... No ...				
37.	Oklahoma	OK .....	... No ...	... No ...				
38.	Oregon	OR .....	... No ...	... No ...				
39.	Pennsylvania	PA .....	... No ...	... No ...				
40.	Rhode Island	RI .....	... No ...	... No ...				
41.	South Carolina	SC .....	... No ...	... No ...				
42.	South Dakota	SD .....	... No ...	... No ...				
43.	Tennessee	TN .....	... No ...	... No ...				
44.	Texas	TX .....	... No ...	... No ...				
45.	Utah	UT .....	... No ...	... No ...				
46.	Vermont	VT .....	... No ...	... No ...				
47.	Virginia	VA .....	... No ...	... No ...				
48.	Washington	WA .....	... No ...	... No ...				
49.	West Virginia	WV .....	... No ...	... No ...				
50.	Wisconsin	WI .....	... No ...	... No ...				
51.	Wyoming	WY .....	... No ...	... No ...				
52.	American Samoa	AS .....	... No ...	... No ...				
53.	Guam	GU .....	... No ...	... No ...				
54.	Puerto Rico	PR .....	... No ...	... No ...				
55.	U.S. Virgin Islands	VI .....	... No ...	... No ...				
56.	Canada	CN .....	... No ...	... No ...				
57.	Aggregate other alien	OT .....	... X X X ...	... X X X ...				
58.	TOTAL (Direct Business) .....		... X X X ...	(a).....	7,657,196		94,500,621	1,015,654

DETAILS OF WRITE-INS							
5701	.....						
5702	.....						
5703	.....						
5798.	Summary of remaining write-ins for Line 57 from overflow page .....						
5799.	TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above) .....						

(a) Insert the number of yes responses except for Canada and Other Alien.  
Explanation of basis of allocation of premiums by states, etc.:

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**

TOTAL HEALTH CARE, INC. - PARENT  
38-2018957, NAIC #95644, STATE OF MICHIGAN

A TOTAL HEALTH CHOICE, INC. - WHOLLY OWNED SUBSIDIARY OF TOTAL HEALTH CARE, INC.  
38-3240485

TOTAL OF FLORIDA HOLDINGS COMPANY, INC. - WHOLLY OWNED SUBSIDIARY OF TOTAL HEALTH CARE, INC.  
65-0718493

TOTAL HEALTH CHOICE, INC. - WHOLLY OWNED SUBSIDIARY OF TOTAL OF FLORIDA HOLDINGS COMPANY, INC.  
33-0603319, NAIC #95134, STATE OF FLORIDA